

To: State of Michigan

From: Rebecca Stanfield, Senior Energy Policy Advocate, NRDC Midwest Program

Date: 4.22.13

Q22. How has Michigan or other jurisdictions designed their efficiency standards to adapt to unforeseen circumstances, or proposed to do so? What methods beyond legislative changes have been considered or implemented?

Energy efficiency itself is a tool to help utilities and their customers adapt to unforeseen circumstances. Reducing the amount of electricity and gas we need to power, heat and cool our buildings leaves everyone less exposed to the range of uncertainties in fuel availability and prices, the range of uncertainties regarding environmental regulatory costs, and other risk factors such as fluctuations in capital costs.

The energy efficiency portfolio standard in Michigan also seeks to ensure that changes the factors that affect whether a given efficiency program is cost-effective are taken into consideration. Every two years the plans are updated and new assessments about the value of the avoided costs are performed. Program administrators incorporate these new assessments by making changes in the portfolio, such as shifting program budgets to programs that are performing better than others based on current market circumstances.

This versatility and flexibility is actually a unique characteristic of energy efficiency. Once you build a new generation facility, you are saddled with it even if its fuel or operating costs exceed your projections, or even if demand is far lower than expected.